



Top Takeaways For FSA Loan Forgiveness

regulatory lending agriculture

Summary: As of May 24, 2021, \$279.4B in PPP loans has been forgiven. Now, loan forgiveness is coming from a different source — the USDA's Farm Service Agency. We give you the details, including eligibility, when the FSA forgiveness program starts, how the ABA is involved, and key takeaways for community financial institutions.

The Paycheck Protection Program provided much-needed assistance to small businesses. Loans administered totaled \$521.2B in 2020, with \$279.4B forgiven as of May 24, 2021, and \$81.5B of loans still under review.

There is more loan forgiveness coming. This time from the US Department of Agriculture's Farm Service Agency (FSA). Since quite a few community financial institutions (CFIs) make loans guaranteed by the FSA, here are some of the details of this loan forgiveness program:

FSA loan forgiveness eligibility. Per the American Rescue Plan Act enacted in March 2021, the FSA will soon be [forgiving loans backed by the FSA and made to socially disadvantaged farmers and ranchers](#).

Eligible borrowers are farmers and ranchers who are members of one of the following groups:

- Native Americans
- Asians
- Blacks
- Native Hawaiians or other Pacific Islanders
- Hispanics
- Latinos

Agriculture Secretary Tom Vilsack will determine on a case-by-case basis whether additional groups will qualify under this definition.

"The American Rescue Plan has made it possible for the USDA to deliver historic debt relief to socially disadvantaged farmers and ranchers," said Agriculture Secretary Tom Vilsack. "USDA is recommitting itself to gaining the trust and confidence of America's farmers and ranchers using a new set of tools provided in the American Rescue Plan to increase opportunity, advance equity and address systemic discrimination in USDA programs."

For borrowers who are not socially disadvantaged and have been negatively impacted by the pandemic, the FSA can provide relief via alternative programs, including the agency's disaster set-aside and primary loan servicing programs.

Program start. The first phase of debt relief starts in June 2021 and will be for loans made directly by the FSA. Then later in the summer, the agency is expected to publish a notice addressing the forgiveness process for FSA-guaranteed loans made by lenders, including farm ownership loans, farm operating loans, conservation loans, and direct loans that are no longer backed by collateral and have been previously referred to the

Department of Treasury for debt collection for offset. Of note, private and commercial loans not guaranteed by FSA are ineligible, including those loans used to help jointly finance a property purchase with FSA.

ABA involvement. Loan forgiveness helps ag borrowers in need. Yet if these loans are paid off, lenders could miss out on the opportunity for additional interest income in the future, especially those heavily reliant on the farming and ranching industries. So, the American Bankers Association (ABA) is in conversations with the USDA on the best way to roll out this program. A spokesperson for the ABA noted that there was feasibility in “limiting unintended consequences for smaller, community bank lenders who make the vast majority of these loans” while still providing the needed debt relief.

Key takeaways for CFIs. Here’s what CFIs making FSA-guaranteed loans need to know.

1. Borrowers are encouraged to submit [Form AD-2047](#) to verify their eligibility.
2. Both delinquent and current loans are eligible. Debts associated with loans that have been referred for offset or collection are also eligible.
3. The FSA will pay 120% of loan balances outstanding as of Jan. 1, 2021 — only loans made and advanced as of that date are eligible.
For FSA-guaranteed loans, borrowers should make all regularly scheduled payments as agreed to with their lender. Their debt relief payment will be calculated based on the amount they owed on Jan. 1. Borrowers will be reimbursed for any payments made after that date. The entire guaranteed loan balance outstanding as of Jan. 1 will be paid, regardless of the level of the guarantee.
4. For eligible borrowers that have taken out multiple loans, the amount of debt forgiveness (up to 120%) is tied to the borrower’s total indebtedness across all eligible loans.

Lenders are invited to submit comments ahead of the FSA’s scheduled notice addressing the forgiveness process for FSA guaranteed loans. In the meantime, update your eligible borrowers and stay tuned for any other updates.

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ECONOMY & RATES

Rates As Of: 06/16/2021 05:35AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.03	0.02	-0.06
6M	0.05	0.02	-0.04
1Y	0.07	0.02	-0.04
2Y	0.17	0.03	0.05
5Y	0.79	-0.01	0.43
10Y	1.49	-0.10	0.57
30Y	2.18	-0.10	0.54
FF Market	FF Disc	IORR	
0.06	0.25	0.00	
SOFR	Prime	QBER	

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